

Share-Based Payment Best Practice Series

ESO Valuation Disclosure - Dow 30 for FY2009

Symbol	Company Name	HQ	Auditor	Expected Volatility	Contractual Term (y)	Expected Term (y)	Vesting Period (y)	ESO Fair Value	Exercise Multiple	Forfeiture Rate	Valuation Model	Nr Granted (millions)	Interest Rate	Dividend Yield	Comments
AA	Alcoa Inc.	PA	PwC	59.00%	6	4.2	3	3.34	1.43	3.00%	Lattice	27.100	1.48%	1.20%	Exp Vol range 38-76%; Exer Multiple based on hist avg; Int Rate range 0.3-2.65%
AXP	American Express Company	NY	PwC	36.00%	10	4.8	4	4.54			B-S-M	9.165	2.10%	4.10%	Exp Vol based on implied and hist vola
BA	The Boeing Company	WA	Deloitte	39.00%	10	6.0	3	11.12			B-S	7.546	2.03%	2.40%	Exp Vol based on implied and hist vola; Exp Term SAB 107
BAC	Bank of America Corporation	NC	PwC	-	-	-	-	-	-	-	-	-	-	-	-
CAT	Caterpillar Inc.	IL	PwC	36.02%	10	8.0	3	7.10			Lattice	6.823	1.58%	3.07%	Exp Vol range 35.75-61.02%; Int Rate range 0.17-2.99%
CSCO	Cisco Systems, Inc.	CA	PwC	36.00%	9	5.9	3	6.60			Binomial Lattice	9.000	3.00%	0.00%	Skewness -0.19, Kurtosis 4.50; Exp Vol based on implied vola
CVX	Chevron Corporation	CA	PwC	30.20%	10	6.0	3	15.36			B-S	14.709	2.10%	3.20%	Exp Vol based on hist vola; Exp Term based on hist exer and pos-vest cancellation
DD	E.I. du Pont de Nemours and Company	DE	PwC	27.61%	6	5.3	3	2.68			B-S	15.863	2.50%	7.00%	
DIS	The Walt Disney Company	CA	PwC	47.00%	7		4	8.25	1.39	7.50%	Binomial Lattice	17.000	2.00%	1.19%	Termination rate 7.5%; Sensitivity analysis of Exp Vol and Exer Multiple
GE	General Electric Company	CT	KPMG	49.00%	10	6.8		3.81			B-S	159.226	3.20%	3.90%	Exp Vol based on implied and hist vola; Dividend Yield based on 5-year hist avg
HD	The Home Depot, Inc.	GA	KPMG	41.50%	10	6.0	4	6.61			B-S	49.000	2.30%	3.90%	Vesting Period of 1 to 4 years
HPQ	Hewlett-Packard Company	CA	E&Y	43.00%	8	5.1	4	13.04			B-S	21.900	2.07%	0.92%	Exp Vol based on implied vola
IBM	International Business Machines	NY	PwC	-	-	-	-	-	-	-	-	-	-	-	-
INTC	Intel Corporation	CA	E&Y	46.00%	7	4.9	4	4.72			B-S	118.500	1.80%	3.60%	Exp Vol based on implied vola; Exp Term SAB 107
JNJ	Johnson & Johnson	NJ	PwC	19.50%	10	6.0	5	8.35			B-S	21.576	2.71%	3.30%	Vesting Period of 0.5 to 5 years
JPM	JP Morgan Chase & Co.	NY	PwC	56.00%	10	6.6	5	8.24			B-S	24.821	2.33%	3.40%	
KFT	Kraft Foods Inc.	IL	PwC	21.36%	10	6.0	3	2.68			B-S	16.300	2.46%	4.90%	Exp Term SAB 107
KO	The Coca-Cola Company	GA	E&Y	20.00%	10	6.0	4	6.38			B-S-M	34.000	2.80%	3.40%	Exp Vol based on implied and hist vola; Exp Term based on hist exer behavior
MCD	McDonald's Corporation	IL	E&Y	24.40%	10	6.2	4	9.66			Closed Form	5.600	2.00%	3.22%	Exp Vol based on hist vola
MMM	3M Company	MN	PwC	30.30%	10	5.9	3	13.00			B-S	1.655	2.20%	2.30%	Exp Vol: avg of 1. 1-year vola, 2. rolling vola, 3. exp life vola, 4. implied vola
MRK	Merck & Co., Inc.	NJ	Deloitte	33.80%	10	6.1	3	4.02			B-S	34.279	2.20%	6.30%	Exp Vol based on impl and hist vola; Exp Term base on hist and forecasted exer
MSFT	Microsoft Corporation	WA	Deloitte	-	-	-	-	-	-	-	-	-	-	-	-
PFE	Pfizer Inc.	NY	KPMG	41.36%	10	6.0	3	3.30			B-S-M	49.450	2.69%	4.90%	Exp Vol based on impl vola; Exp Term based on hist exer and post-vest termination
PG	The Procter & Gamble Company	OH	Deloitte	21.00%	10	8.7	3	11.67			Lattice	37.623	3.60%	2.00%	Exp Vol range 18-34%; Int Rate range 0.7-3.8%
T	AT&T Inc.	TX	E&Y	19.65%	10	7.0	5	1.84			B-S	3.00	3.17%	6.82%	
TRV	The Travelers Companies, Inc.	MN	KPMG	32.40%	10	6.0	3	9.54			B-S	3.060	2.46%	1.26%	Int Rate range 2.07-2.85%; Exp Vol range 28.2-34.1%
UTX	United Technologies Corporation	CT	PwC	36.00%	10	7.7	3	16.01			Binomial Lattice	0.325	2.50%	2.10%	Exp Vol range 30-42%; Exp Term range 7.4-7.9 years
VZ	Verizon Communications Inc.	NY	E&Y	-	-	-	-	-	-	-	-	-	-	-	-
WMT	Wal-Mart Stores, Inc.	AR	E&Y	16.70%	10	3.4	5	9.97			B-S-M	1.712	2.00%	1.90%	Exp Vol based on hist vola
XOM	Exxon Mobil Corporation	TX	PwC	-	-	-	-	-	-	-	-	-	-	-	-
Average Calculations				34.51%	9.3	6.0	3.6							3.21%	
Minimum				16.70%	6.0	3.4	3.0							0.00%	
Maximum				59.00%	10.0	8.7	5.0							7.00%	

Source: Company 10-K Reports for FY 2009
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